

# OFFICE OF AUDITS & ADVISORY SERVICES



## **FIRESTORM 2007 EXPENDITURES SUBMITTED FOR FEMA/CALEMA REIMBURSEMENT VALIDATION AUDIT – DEPARTMENT OF GENERAL SERVICES**

### ***FINAL AUDIT REPORT***

Chief of Audits: [James L. Pelletier, CIA, CICA](#)  
Senior Audit Manager: [Tom Philipp, CIA, CCSA](#)  
Auditor I: [Geena Balistrieri, CPA, CICA](#)  
Auditor I: [Angela Chen, CPA](#)

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**COUNTY OF SAN DIEGO**  
**INTER-DEPARTMENTAL CORRESPONDENCE**

July 20, 2010

TO: April Heinze, Director  
Department of General Services

FROM: James L. Pelletier  
Chief of Audits

**FINAL REPORT: FIRESTORM 2007 EXPENDITURES SUBMITTED FOR FEMA/CALEMA  
REIMBURSEMENT VALIDATION AUDIT – DEPARTMENT OF GENERAL SERVICES**

Enclosed is our report on the Firestorm 2007 Expenditures Submitted for FEMA/CalEMA Reimbursement Validation Audit – Department of General Services. We have reviewed your responses to our recommendations and have attached them to the audit report.

The actions taken and/or planned, in general, are responsive to the recommendations in the report.

If you have any questions, please contact me at (858) 495-5661.

JAMES L. PELLETIER  
Chief of Audits

AUD:aps

Enclosure

c: Mikel D. Haas, Deputy Chief Administrative Officer, Community Services Group  
Donald F. Steuer, Chief Financial Officer  
Tracy M. Sandoval, Assistant Chief Financial Officer/Auditor and Controller  
Kaye Hobson, Group Finance Director, Community Services Group

## INTRODUCTION

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### **Audit Objective**

The Office of Audits & Advisory Services (OAAS) completed an audit of the Firestorm 2007 related expenditures claimed by the Department of General Services (DGS) for reimbursement. The objective of the audit was to provide reasonable assurance that adequate supporting documentation was maintained by the Department in a manner that reviewers could easily follow to prevent any material disallowance. The audit was requested by the Chief Financial Officer.

### **Background**

Seven wildfires that started on October 21, 2007 caused extensive damage throughout the County of San Diego. Various County departments immediately mobilized employees to assist in multiple disaster-related activities. The Director, Office of Emergency Services led the overall operational efforts, while the Group Finance Director, Public Safety Group led the finance team. The Firestorm 2007's official incident period declared by the Federal Emergency Management Agency (FEMA) began on October 21, 2007 and ended on March 31, 2008. Applicable County departments subsequently submitted Project Worksheets (PWs) to FEMA and/or Damage Survey Reports (DSRs) to the California Emergency Management Agency (CalEMA) to claim the eligible expenditures for reimbursement.

The DGS submitted three claims totaling \$390,650 of costs incurred for labor, Quality First, supplies, and services resulting from the October 2007 wildfires. The FEMA/CalEMA project officers assigned DGS131, ALL150, and DSR1744 as claim tracking numbers.

### **Audit Scope & Limitations**

OAAS' review was based on the information on PWs and DSRs submitted by the department. The eligibility determinations were made by the FEMA/CalEMA project officers assigned to the Department, not by OAAS.

This audit was conducted in accordance with auditing standards prescribed by the Institute of Internal Auditors, Inc., as required by California Government Code, Section 1236.

### **Methodology**

OAAS reviewed the PWs and/or DSRs, and the supporting documentation to verify the following:

- The supporting documentation is organized, titled, and cross-referenced to the line items listed on each PW or DSR;
- Damage Description and Scope of Work agree to the types of expenses reported on the PW or DSR;
- The total amount reported on the PW or DSR reconcile to the amount provided in the supporting documentation;
- The labor hours and rates reported on the PW are reconciled to the payroll records;

- The labor costs and related benefits were correctly calculated and properly supported; and
- The purchases were correctly calculated and properly supported.

## AUDIT RESULTS

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### Summary

OAAS' review found that certain elements of the supporting documentation for Firestorm 2007 expenditures were incomplete or inaccurate as described in the findings below.

### Finding I:

#### **Required Documentation Was Not Provided or Was Not Adequate**

Review of a sample documents provided by DGS for DGS131 and DSR1744 found that some of the supporting documentation was not provided or was not adequate as outlined below:

- Clean up services totaling \$7,200 on DGS131 charged by Hai Long Inc. did not have adequate support for the hourly labor rate, labor tax rate, the supplies purchased, and the insurance/overhead charge;
- Mileage cost totaling \$2,129 on DGS131 did not have original supporting documentation; and
- Two credit card purchases for materials on DSR1744 totaling \$3,008 did not have supporting documentation.

FEMA/CalEMA requires that all supporting documentation should be organized and all costs claimed should be adequately substantiated.

### Recommendation:

DGS should prepare all documentation in accordance with FEMA/CalEMA guidance. This would include gathering, organizing, titling, and cross referencing supporting documentation for review. Additionally, original supporting documentation must be readily available before claimed costs can be evaluated for existence and adequacy.

### Finding II:

#### **Force Account Labor Costs Did Not Include Eligible Fringe Benefits**

DGS did not include fringe benefits while calculating the force account labor cost for DGS131 and DSR1744. According to the FEMA Public Assistance Guide (June 2007), costs that can be directly tied to the performance of eligible work, as well as fringe benefits that are actually paid or credited as part of an established policy, are eligible. As a result, the force account labor cost was under-claimed by \$11,082.

### Recommendation:

DGS should include eligible fringe benefits in the calculation of force account labor cost in order to maximize the reimbursement of the Firestorm 2007 related expenditures.

**Finding III: Incorrect Hourly Labor Rate Was Used to Calculate Contract Cost**

An invoice submitted by Advance Building Maintenance Co. used an incorrect hourly rate (\$22.50 per hour) to calculate the labor cost charged for the cleaning services provided to the County. According to the Request For Bid (RFB) #1519, the authorized hourly rate for the emergency clean up is \$15.00 per hour. As a result, the claimed contract cost exceeded the authorized cost by \$293.

Per FEMA/CalEMA guidance, the information used to support the cost should agree with the approved contract.

**Recommendation:** DGS should modify the hourly rate from \$22.50 per hour to \$15.00 per hour and make necessary adjustment to ensure that claimed expenditures do not exceed the authorized amount.

**COMMENDATION**

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The Office of Audits & Advisory Services commends and sincerely appreciates the courteousness and cooperation extended by the officers and staff of the Department of General Services throughout this audit.

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**Office of Audits & Advisory Services****C**ompliance**R**eliability**E**ffectiveness**A**ccountability**T**ransparency**E**fficiency**VALUE**

## **DEPARTMENT'S RESPONSE**



# County of San Diego

APRIL F. HEINZE, P.E.  
Director  
(858) 694-2527  
FAX (858) 694-8929

## DEPARTMENT OF GENERAL SERVICES

5555 OVERLAND AVE., STE. 2240, SAN DIEGO, CA 92123-1294

FACILITIES OPERATIONS  
(858) 694-3610  
FLEET MANAGEMENT  
(858) 694-2876  
MAIL SERVICES  
(858) 694-3018  
PROJECT MANAGEMENT  
(858) 694-2040  
REAL ESTATE SERVICES  
(858) 694-2291

July 8, 2010

RECEIVED

JUL 16 2010

TO: James L. Pelletier  
Chief of Audits

OFFICE OF AUDITS &  
ADVISORY SERVICES

FROM: April F. Heinze, P. E., Director  
Department of General Services

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: FIRESTORM 2007  
EXPENDITURES SUBMITTED FOR FEMA/CALEMA REIMBURSEMENT VALIDATION AUDIT  
- DEPARTMENT OF GENERAL SERVICES

**Finding I:** Required Documentation Was Not Provided or Was Not Adequate

**OAAS Recommendation:** DGS should prepare all documentation in accordance with FEMA/CalEMA guidance. This would include gathering, organizing, titling, and cross referencing supporting documentation for review. Additionally, original supporting documentation must be readily available before claimed costs can be evaluated for existence and adequacy.

**Action Plan:** Concur. The final claim amount for General Services will be reduced by the amount identified totaling \$12,337 as the supporting documentation is unavailable.

**Planned Completion Date:** July 30, 2010

**Contact Information for Implementation:** Kathryn MirMohisefat, Dept. Budget Manager, 858-495-5326

**Finding II:** Force Account Labor Costs Did Not Include Eligible Fringe Benefits

**OAAS Recommendation:** DGS should include eligible fringe benefits in the calculation of force account labor cost in order to maximize the reimbursement of the Firestorm 2007 related expenditures.

**Action Plan:** Concur. The final claim will include fringe benefits and will be increased by \$ 11,082.

*MISSION: To provide cost-effective, efficient, high quality and timely support services to County departments, groups and agencies*



**Planned Completion Date:** August 30, 2010

**Contact Information for Implementation:** Kathryn MirMohisefat, Dept. Budget Manager, 858-495-5326

**Finding III:** Incorrect Hourly Labor Rate Was Used to Calculate Contract Cost

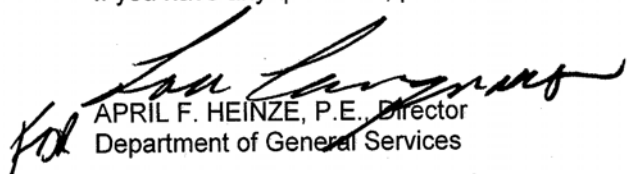
**OAAS Recommendation:** DGS should modify the hourly rate from \$22.50 per hour to \$15.00 per hour and make necessary adjustment to ensure that claimed expenditures do not exceed the authorized amount.

**Action Plan:** Concur. Invoices where the hourly rate is charged at \$22.50 per hour will be adjusted to \$15.00 and the overall claim will be adjusted down accordingly. Policies & procedures will be developed and provided to contract administration staff to ensure better oversight, accountability and documentation of authorized expenditures, in accordance with County policy and Generally Accepted Accounting Principles regarding accounts payable accounting.

**Planned Completion Date:** July 30, 2010

**Contact Information for Implementation:** Kathryn MirMohisefat, Dept. Budget Manager, 858-495-5326

If you have any questions, please contact me at (858) 694-2527.

  
APRIL F. HEINZE, P.E., Director  
Department of General Services